

TREASURY NOTES

SUMMER 1995

Office of Missouri State Treasurer Bob Holden

Putting Missouri First



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MISSOURI DEPOSITORY

State General Revenue Receipts Reflect Strong Growth in Missouri's Economy

A year of robust growth in Missouri's economy is reflected in a strong rise in general revenue receipts during the state's 1995 fiscal year, according to State Treasurer Bob Holden.

"Missouri's economy has experienced strong growth for most of the past 12 months," Holden said. "This is reflected in the double-digit growth in state revenue receipts and the lowest average annual unemployment rate in nearly 15 years."

Total general revenue receipts for fiscal 1995 are up 16.38% from fiscal 1994, or more than \$771 million. The state's 1995 fiscal year began July 1, 1994 and ended June 30, 1995.

"Two of Missouri's prominent manufacturing industries - automotive assembly and defense - have recovered from sharp cutbacks early in the decade and have added new jobs," Holden said. "A recovery in agriculture, construction and retail/wholesale trade also helped propel impressive growth in revenues."

According to the Missouri Department of Economic Development, Missouri manufacturers had their best job creation year since 1989. New manufacturers created 6,800 jobs while 7,300 new jobs were created by expansions at existing manufacturing facilities.

Two key revenue indicators of the state's economic health - sales tax and income tax receipts - also are up sharply from the previous fiscal year. State sales tax receipts for fiscal 1995 are up 6.94%. Individual income tax collections for the 1995 fiscal year exceeded last year's by more than \$403 million or 16.39%. Corporate income tax receipts are up over 45%, the result of a strong economy and an increase in corporate tax rates that took effect last year.

Holden also reported that state investment earnings for FY 95 were nearly double those of the previous fiscal year. The treasurer's office invests state revenues not needed to pay bills immediately in interest-bearing time deposits and government securities. Investment earnings jumped to \$104 million in FY 95 from \$54 million in FY 94.

"The sharp increase in revenues allowed us to maintain higher invested balances," Holden said. "This coupled with higher interest rates being paid on our investments led to a near doubling of our earnings."

"Strong growth in Missouri's economy is helping put people to work and increasing consumer confidence and spending," Holden said. "Most analysts expect moderate but continued growth for fiscal 1996."

Missouri Tax refund

Missouri's strong FY 95 revenue picture helped trigger the first tax refund under Article X of the Missouri Constitution. The revenue growth limitation amendment, passed by voters in 1980 requires a refund when state tax revenue from all sources grows faster than the personal income of Missourians.

The amendment requires that 1993 personal income be compared with state revenue collections for FY 95. Missouri personal income dropped \$1 billion in 1993 because of record flood losses. That fact, coupled with Missouri's healthy economy during FY 95 means that total state revenues exceeded the constitutional limit.

Refunds will be based on the amount of income taxes paid by individuals and corporations for 1995. Because individuals have until April 1996 to file their tax returns and corporations have until December 1996, the earliest refunds could be issued is in 1997. Preliminary estimates by the Office of Administration are that refunds would average \$41 for individual taxpayers and about \$2,370 for each business.

FY 1995 General Revenue Report

| | Fiscal Year to Date (Year Ended June 30, 1995) | | |
|----------------------------|--|------------------------|---------------------|
| | 1995 | 1994 | increase/(decrease) |
| Sales and Use Tax | \$1,547,896,849 | \$1,447,444,032 | 6.94% |
| Income Tax - Individual | 2,866,635,664 | 2,463,060,741 | 16.39% |
| Income Tax - Corporation | 422,056,521 | 290,250,962 | 45.41% |
| Inheritance - Estate | 73,088,557 | 55,552,936 | 31.57% |
| Interest | 39,726,541 | 19,715,025 | 101.50% |
| Liquor | 18,732,434 | 18,700,289 | 0.17% |
| Beer | 7,669,751 | 7,623,418 | 0.61% |
| County Foreign Insurance | 164,816,815 | 138,049,581 | 19.39% |
| Corporate Franchise | 67,624,527 | 61,299,431 | 10.32% |
| Other Collections | <u>182,097,564</u> | <u>158,528,393</u> | <u>14.87%</u> |
| Total Dept. of Revenue | | | |
| Report of Collections | <u>\$5,390,345,222</u> | <u>\$4,660,224,808</u> | <u>15.67%</u> |
| Transfers From Other Funds | <u>88,927,594</u> | <u>47,776,350</u> | <u>86.13%</u> |
| Total State Treasurer | | | |
| Report of Collections | <u>\$5,479,272,816</u> | <u>\$4,708,001,158</u> | <u>16.38%</u> |



Linked Deposits Put Missouri Workers First

MISSOURI FIRST linked deposits for job creation helped 64 Missouri companies expand and create more than 3,600 jobs all across the state during FY 95.

During the latest state fiscal year, which ran from July 1, 1994 through June 30, 1995, the State Treasurer's Office placed more than \$57 million in 42 Missouri financial institutions to help businesses grow and create new jobs in the state.

Under the MISSOURI FIRST Linked Deposit Program for Job Creation, the

Linked deposit helps bring 800 jobs to K.C.

A \$5 million MISSOURI FIRST linked deposit with UMB Bank in Kansas City will help generate more than 800 new jobs there by the end of this year. Using these funds, the bank is providing a low-interest loan to Gateway 2000 for expansion of its sales and support center in downtown Kansas City.

Gateway 2000 opened a telephone sales, technical and customer support center in the Town Pavilion last November with 250 employees. The firm currently has more than 700 employees in Kansas City and expects to employ approximately 1,200, here by the end of December. Gateway 2000 is the leading direct marketer of personal computers in the United States. The company develops, markets, sells and supports a complete line of IBM-compatible desktop, notebook and sub-notebook PCs for use by businesses, individuals, families, government and educational institutions.

MISSOURI FIRST helps reopen West Plains shoe plant

State Treasurer Bob Holden deposited state funds in a coalition of three West Plains banks

to assist in the reopening and growth of West Plains Shoe Company, Inc. The firm expects to create 125 to 150 jobs by the end of the year.

Holden said his office placed \$296,000 in state funds with Boatmen's Bank, \$100,000 with Missouri Southern Bank and \$90,000 with West Plains Bank. Using these funds, the banks are providing low-interest loans to West Plains Shoe for inventory, machinery and working capital.

"We're pleased to be able to help restore some of the jobs that were lost when the Hi-Test shoe plant closed last year," Holden said. "The reopening of the shoe plant is truly a community-wide effort that is a credit to the people of West Plains. The partnership between the Treasurer's Office and these three lenders is helping West Plains regain some badly needed jobs for area workers."

Interco closed its Hi-Test Shoe plant in West Plains a year ago, putting 300 people out of work. A local group of business, financial and government officials has been working since that time to reopen the plant. Holden and Joe Driskill, state economic development director, met with the group last August in West Plains to discuss state assistance for the project. West Plains Shoe currently employs 65 workers in the production of high quality work shoes and boots. Employment is expected to reach 150 by December.

continued >

FISCAL YEAR '95 DEPOSITS SUMMARY

| | AG & S/B | New Farmers* | Jobs |
|--------------|-------------------|--------------|---------------|
| Deposits | 806 | 29 | 64 |
| Loans | 3072 Ag | 89 | 64 |
| | 2066 S/B | | |
| Banks | 239 | 15 | 42 |
| Counties | 94 | 13 | 19 |
| Dollars | 99,843,045.00 Ag | 6,627,977.00 | 57,226,205.00 |
| | 63,523,068.00 S/B | | |
| Jobs Created | | | 3650 |

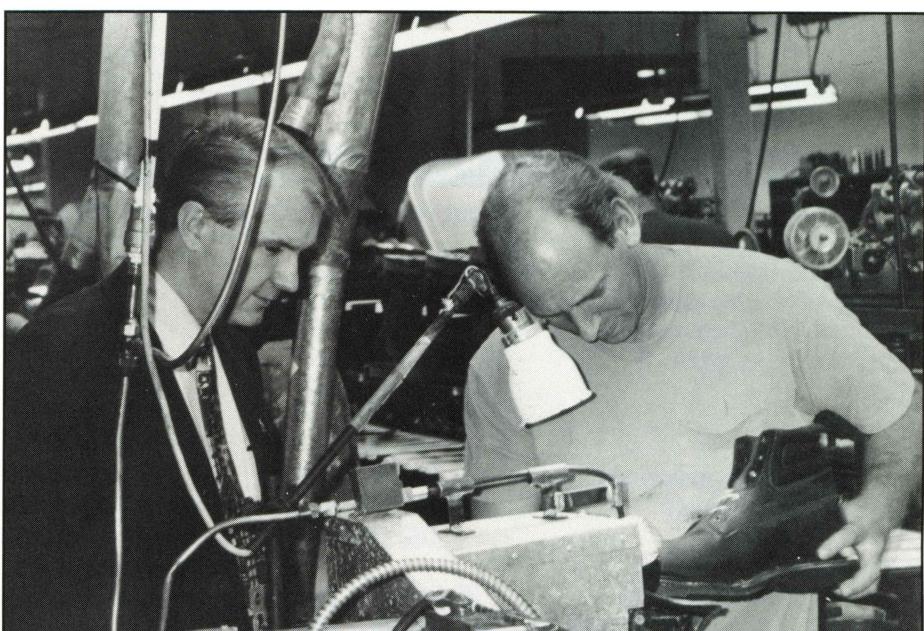
*New Farmers data is included in AG & S/B column totals

Treasurer's Office places deposits of state funds in Missouri banks at below-market rates so that the banks can provide low-interest loans to eligible borrowers for plant and production expansions.

"The state is willing to accept a lower rate of interest on some of its deposits so that it can reap much greater benefits from the increased economic activity and job creation generated by the linked deposit program," said State Treasurer Bob Holden. "Over the long run, the state will derive more revenue from the income, sales and other taxes paid by the expanding businesses and their new workers."

To receive the benefits of a MISSOURI FIRST linked deposit for job creation, a firm must employ more than 10 people and create at least one new job for each \$25,000 borrowed. Companies can borrow from \$90,000 up to \$5 million. The deposits are made for one year and can be renewed as long as new jobs are being created.

During FY 95, the Treasurer's Office also placed more than \$63 million in banks throughout the state to help provide low-cost operating and expansion loans to 2,066 small businesses. Businesses with less than 25 employees can borrow up to \$100,000 for operating expenses such as inventory, equipment and renovations.



MISSOURI FIRST Linked deposits placed with three banks in West Plains are helping restore many of the jobs that were lost when a shoe plant closed last year.



State, Private Sector Partnerships Create Affordable Housing

During Fiscal 95, the Missouri Housing Development Commission (MHDC) assisted in the creation of more than 8,000 affordable housing units through federal and state grants, financing assistance and tax credit programs.

State Treasurer Bob Holden helped local officials and private developers formally break ground for three affordable housing projects that are receiving low-cost financing assistance through MHDC. Holden currently serves as chairman of MHDC.

Low and moderate income senior citizens in Cape Girardeau will have a much greater opportunity to find attractive, affordable housing thanks to a 44-unit apartment complex now under construction in that community.

The Heritage Manor Apartments will consist of 40 one-bedroom units and 4 two-bedroom units in 12 garden apartment style buildings. The complex also will have a community room for senior citizen activities. The project is being built by MACO Construction Co. and will be managed by MACO Management Co.

Holden also broke ground for Moberly Plaza Apartments, a complex of 24 two-bedroom units that will serve low and moderate income families. Although in the planning stages before the tornado that struck Moberly July 4, this project will help fill an especially critical need for many families devastated by the storm. Most of the 85-90 housing units destroyed by the storm were occupied by low and moderate income families. The addition

of over 600 new jobs by new and expanding industries in the Randolph County area, which includes Moberly, made affordable housing nearly impossible to find even before the storm, threatening further development.

The project is being built and managed by MBL Development Co. of Blue Springs. The firm specializes in developing and building affordable housing in rural communities.

The Treasurer also broke ground for Sedalia Villa Apartments, a 36-unit family apartment complex that will serve low and moderate income families in the Pettis County area. The development will consist of 23 two-bedroom units and 4 three-bedroom units in five red-brick, colonial-style buildings. The project also will include a large community room and on-site laundry facilities. The location of three new employers over the past two years, including the 1,200-employee Tyson Foods poultry processing facility, has created a shortage of affordable housing in the Pettis County area. The project is being built by Fairway Construction Co. and will be managed by Fairway Management.

To keep rental rates affordable, the developers of all three projects are receiving low-cost, long-term financing through MHDC as well as state and federal low income housing tax credits, which are administered by MHDC.

"All of these projects will be tremendous assets to their respective communities," Holden said. "They're also prime examples of how government and the private sector can work together to meet some of the critical needs in our communities."



Developer D. Kim Lingle and State Treasurer Bob Holden break ground for Moberly Plaza Apartments, which will help replace some of the affordable housing units lost during a tornado that swept through the central Missouri community July 4.

Linked Deposits...

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Briggs & Stratton to create 600 jobs in Rolla

A MISSOURI FIRST deposit of state funds is helping Briggs & Stratton finance the start-up of a new manufacturing operation in Rolla that will create 600 jobs when fully operational.

Holden said the state placed \$5 million in state funds with The Boatmen's National Bank of St. Louis through the MISSOURI FIRST Linked Deposit Program for Job Creation. Using these funds, the bank will provide a low-interest loan to Briggs & Stratton for working capital to fund renovation, machinery and

equipment for a new small engine manufacturing facility in Rolla.

Briggs & Stratton is in the process of renovating an existing 252,000 square-foot building in Rolla for production of two engine models, including the company's famous Quantum gasoline engine. The company will invest \$38 million in the facility and create 600 jobs over the next two years.

Briggs & Stratton is the world's largest producer of air-cooled gasoline engines for outdoor power equipment. In 1988, the firm opened a 225,000 square-foot plant in Poplar Bluff that employs 875 people. Last summer, it added 50,000 square feet and 70 new employees at its Poplar Bluff facility. Last August, the

Poplar Bluff plant produced its 10 millionth engine since opening six years ago.

Holden said his office has placed more than \$11 million in state funds with Missouri financial institutions through the MISSOURI FIRST program to assist Briggs & Stratton in getting established and expanding in Poplar Bluff.

"Since locating in Poplar Bluff six years ago, Briggs & Stratton's small engine manufacturing plant has been a huge economic engine for southeast Missouri - continually expanding and creating new job opportunities," Holden said. "Now this world-class company will have an opportunity to capitalize on Missouri's skilled, productive labor force in Rolla to produce more of its world-class products."

A note from the treasurer

What a year!

Fiscal year 1995 certainly turned out to be one of the better years for the state of Missouri in recent history. Thanks in part to higher interest rates, we earned more than \$104 million in interest income, nearly double the amount from the previous year. Thrifty state spending allowed the legislature to allocate \$230 million in unspent revenues for new prisons. And a booming economy triggered the state constitution refund mechanism, which means we'll be giving taxpayers some of their money back. All this good news though is tempered by the future of federal cutbacks and national budget pressures. As Congress cuts and consolidates government programs, states will have to shoulder more of the burden both financially and administratively. We Missourians have to realize that as a low tax state, 47th out of 50 in the amount we tax our citizens, we are heavily reliant on federal funding. As this money dries up, we will be forced to make tough decisions about government programs. Through a series of town hall meetings around the state, I have tried to get people to begin talking about these choices. I hope we all contribute to this debate, because it truly does affect every one of us.



State Treasurer Bob Holden answers citizens questions during a town hall meeting in Caruthersville.



State Treasurers and their staffs from 10 states gathered in Kansas City in early August for the annual Midwest State Treasurers Conference. The agenda featured sessions on financial E.D.I. (electronic data interchange), interstate banking, investment interest rate trends, crisis communications, media training, linked deposit programs and legal issues and ethics. Former U.S. Senator John Danforth, Governor Mel Carnahan and

Deputy Assistant Secretary for Economic Policy, U.S. Treasury, Glen Rosselli spoke to the crowd of about 150. "We committed ourselves to an agenda of substance," said Missouri State Treasurer Bob Holden. "We packed our conference full of speeches, panels and tours in order to facilitate the best possible exchange of information among the participating states." Along with the state treasurers and their staffs, about 100 investments bankers and bond market

Midwest State Treasurers Meet in Kansas City

Missouri State Treasurer Bob Holden presided over the N.A.S.T. Midwest State Treasurers conference in Kansas City and led a session on state linked deposit programs that featured two participating businesses, a bank and an economic development organization from Missouri.

analysts also attended. Also in August, Missouri hosted the annual meeting of the National Association of Unclaimed Property Administrators in St. Louis.

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Unclaimed Property Collections Set New Record for FY'95



The State Treasurer's Office took custody of a record \$15 million in additional unclaimed funds and property during FY 95.

"A top priority for our unclaimed property program is to make holders of unclaimed property more aware of their legal obligation to turn over abandoned property to the state," said State Treasurer Bob Holden. "These efforts have resulted in record collections for the second year in a row."

Holden said his office's Unclaimed Property Division added two auditors last year

to check for compliance with the state's unclaimed property laws.

By law, "abandoned" property must be turned over to the state when the holders - banks, businesses, insurance companies and government agencies - have had no contact or documented transactions with the owners for seven or more years. Banks, businesses and government agencies must report abandoned property they are holding to the state by November of each year. Insurance companies must report each May.

With the \$15 million in additional receipts, the state now is holding more than \$80 million in unclaimed property for nearly half a million owners.

Most of this property consists of abandoned cash from bank accounts, stocks, bonds and uncollected insurance policy proceeds. The state also receives the contents of nearly 800 abandoned safe deposit boxes each year. The state does not handle real property such as land, buildings, cars or boats.



Unclaimed Property Returned to Record Number of Owners in FY'95

Unclaimed Property Division student interns Rob Poole and Shawn Poore along with regular staff member Terri Hutchison check names at the Centralia Anchor Festival.

Some college students spend their summers on the beach. Others may work in factories or fast food restaurants. But for two Treasurer's Office interns (and regular staffers, too), their summer was spent at fairs, festivals and other public events all across the state.

"We're always trying new and innovative ways to make more Missourians aware of our unclaimed property program," said State Treasurer Bob Holden. "By using summer interns and other methods, we've been able to find more owners or rightful heirs to this property."

As a result of these and other efforts, the treasurer's unclaimed property division returned cash and property to a record number of owners last year. During FY 95, which ran from July 1, 1994 through June 30, 1995, the treasurer's unclaimed property division

returned a total of \$2.7 million to more than 8,500 owners or their legal heirs.

Rob Pool, a recent graduate of Southeast Missouri State University in Cape Girardeau, and Shawn Poore, a senior at Westminster College in Fulton, set up the computer at events such as Summerfest '95 in Carthage, Tom Sawyer Days in Hannibal, the Kennett BBQ Cook-Off, the Washington (Mo.) Spring Festival, the Ozark Empire Fair in Springfield and the Centralia Anchor Festival.

Treasurer Holden does his part to find owners by appearing on live call-in television and radio shows. A special one-hour show on Springfield/Joplin public television stations KOZK/KOZJ generated more audience response than other show of its kind, according to Dan Shelley, the show's host. Holden also takes the unclaimed property computer

to county treasurers' offices when he travels around the state and invites citizens to stop by and have their names checked.

"The 'Stake Your Claim' banner we put up always sparks curiosity and interest, and gets people to come over and check their names," Pool said. "A lot of people can't believe that the government is looking for them in order to RETURN their money or property."

Some of the largest events this summer occurred in August, including the 10-day Missouri State Fair in Sedalia, Aug. 17-27.

August

| | |
|-------------------------------|------------|
| Central Missouri Fair - Rolla | Aug. 5-6 |
| Bootheel Rodeo - Sikeston | Aug. 9-10 |
| Ripley County Fair | Aug. 11 |
| Missouri State Fair - Sedalia | Aug. 17-27 |
| Trails West - St. Joseph | Aug. 19-20 |

"Summer Citizenship"



How do you get 800 teenage boys and 500 teenage girls to give up a week of their summer to learn about government and politics? The answer is Missouri Boys and Girls State. State Treasurer Holden joined teenagers from throughout Missouri for a full week of intense practical learning about government and citizenship in Warrensburg in June. The week-long annual workshop is sponsored by the American Legion and its Auxiliary at Central Missouri State University. Treasurer Holden has been actively involved as a counselor and teacher at Boys State since his days as a state representative in Springfield in the early 1980s. This year he is dean of the school of government for Boys State, and a guest lecturer at Girls State.

Treasurer Holden discusses the principles of governing with a group of high school students.

Fiscal Year End Totals

DESEGREGATION

Total FY '95

| | |
|--------------|----------------------|
| Kansas City | \$175,045,453 |
| St. Louis | \$139,258,397 |
| TOTAL | \$314,303,850 |

Source - OA Budget and Planning

LOTTERY

Total sales and expenditures FY '95

| | |
|---------------------|------------------|
| Sales | \$ 412,023,341 |
| Expenses | |
| Prizes | \$ 222,331,748 * |
| Administration | \$ 65,521,616 ** |
| Transfers-Education | \$ 125,169,977 |

*unaudited estimates

**unaudited estimates (includes retailers' commissions)

Missouri Lottery

Sources - Missouri Lottery & OA Budget and Planning

RIVERBOAT GAMBLING

FY '95 totals

Gaming Tax

(for education) \$ 55,949,782

Sales & Use Tax \$ 2,742,820

Combined Payroll \$ 108,352,198

Capital Investments \$ 377,026,514

Purchases \$ 98,296,525

Sources - James Moody & Assoc., OA Budget and Planning

Treasury Notes is the official publication of the Missouri State Treasurer's Office. For copies of Treasury Notes, write to:

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